FIRST QUARTER 2024 | PORTFOLIO COMMENTARY

LIBERTY PORTFOLIOS™

ACCUMULATION SERIES

FCMS
Freedom Capital Management Strategies®

PORTFOLIO POSITIONING

- Within the ***Core Equity*** allocation, we are balanced between the value and growth investment styles. We also have a preference for more established growth companies with strong balance sheets and resilient earnings alongside companies with a history of consistently paying and growing dividends.

- Within ***Core Fixed Income***, we allocate to funds that provide broadly diversified exposure to investment grade bond markets and generally maintain a credit quality and duration profile similar to the Bloomberg U.S. Aggregate Bond Index.

- In the ***Satellite*** allocation, we combine equity-focused strategies that allocate across large-, mid-, and small-cap companies globally. We currently maintain outsized exposure to funds with a quality orientation alongside smaller allocations to specialty or niche strategies, including innovative growth companies and natural resources. We believe the combination of these strategies offers attractive risk/reward characteristics and compelling long-term growth potential.

RECENT CHANGES

During 3Q23, we increased the ***Core Equity*** allocation and reduced the ***Satellite*** allocation. Our mix of ***Core***/***Satellite*** now stands at 56%/44% for the Aggressive Accumulation portfolio and 58%/42% for the Growth Accumulation portfolio.

Within the ***Core Equity*** allocation, we made the following changes last September:

- We increased exposure to U.S. large capitalization companies that we believe are better positioned in the current economic environment. We reduced exposure to small- and mid-capitalization U.S. companies as we believe these holdings are more exposed to the risks posed from higher interest rates.

In the **Satellite** allocation, we made the following changes last September:

- We removed Akre Focus and added Eaton Vance Atlanta Capital Focused Growth. Akre Focus has lagged its peer group in terms of performance for the past several years, and we lost conviction in their investment thesis following significant turnover on their portfolio management team. Atlanta Capital Focused Growth is a quality growth equity fund emphasizing quality, large-cap stocks with sustainable earnings growth potential. We believe this fund is well positioned to capture long-term returns via its concentration in high quality companies with earnings durability.

- We also modestly reduced exposure to Nuance Concentrated Value, GMO Natural Resources, ARK Innovator ETF, and Boston Partners All Cap Value in order to rebalance our Core/Satellite Exposure and further reduce our mid-cap and small-cap equity allocation.

In March 2024, we rebalanced the portfolios to ensure allocations remain consistent with our intended targets.

ALLOCATION BREAKDOWN

Our near-term investment outlook is broadly constructive based on the continued strength of the U.S. economy and corporate earnings, signs of improving economic growth internationally, and the continued deceleration in the rate of inflation from the very elevated levels of recent year. Additionally, consumer sentiment in the U.S. is at its highest level since 2022 and manufacturer surveys suggest a possible uptick in future activity. Based on this outlook, we are overweight U.S. equities relative to their international counterparts. While there is much to be positive about regarding the economy and equity markets, we are also monitoring key indicators for signals that the goldilocks narrative that has seemingly taken hold among investors may become challenged, namely, the job market, inflation, and rising investor optimism.

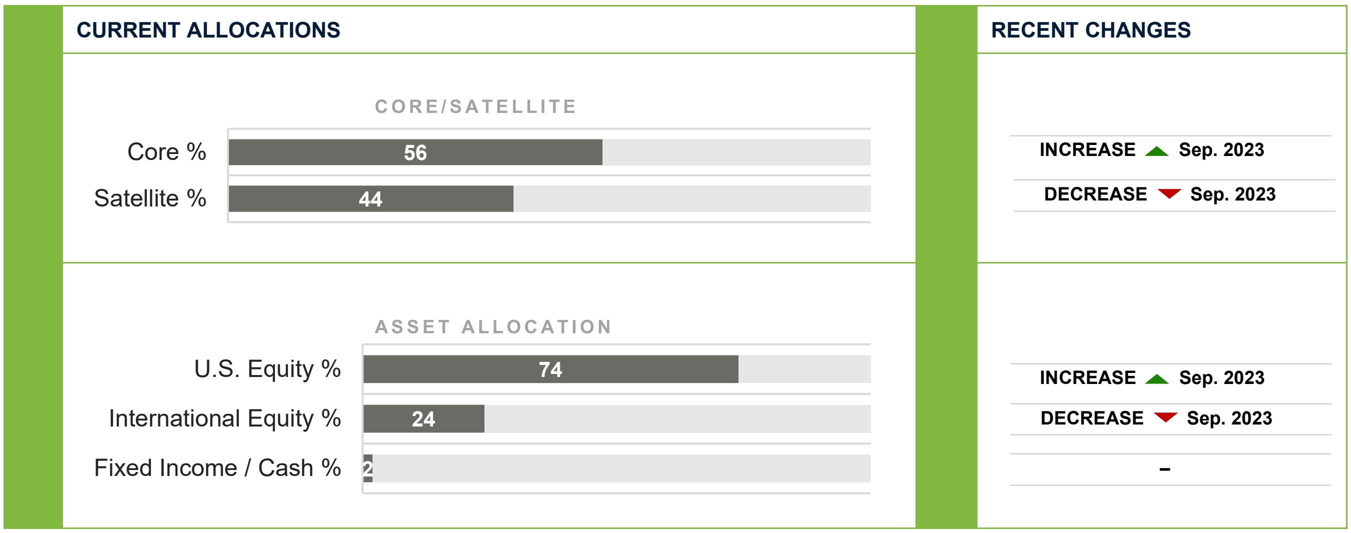
In the ***Core Equity*** allocation, we are emphasizing quality companies with strong balance sheets and resilient earnings that we believe are better positioned to weather uncertainty. We also believe companies with a history of growing dividends should perform relatively well in this environment. Additionally, we believe U.S. equity markets are better positioned to generate earnings growth amid a potential slowdown in economic activity than their international counterparts, which tend to be more cyclical and economically sensitive. Based on this view, we remain overweight U.S. stocks relative to their international counterparts.

Within the ***Satellite Equity*** allocation, we also have a quality theme through our holdings of Nuance Concentrated Value and Atlanta Capital Focused Growth, which own quality-oriented companies in the value and growth spaces, respectively. We couple these positions with a significant allocation to one of our highest conviction managers, Boston Partners All Cap Value. We also maintain smaller allocations to specialty funds that primarily invest in companies in the technology and health care sectors with high long-term growth potential, namely ARK Innovation and PRIMECAP Odyssey Aggressive Growth, alongside an allocation to the natural resources sector through GMO Resources.

Within ***Core Fixed Income***, we allocate to funds that provide broadly diversified exposure to investment grade bond markets and generally maintain a credit quality and duration profile similar to the Bloomberg U.S. Aggregate Bond Index. The current holdings are J.P. Morgan Core Bond and Baird Core Plus Bond.

Below is a breakdown of our allocations as of quarter-end:

Aggressive Accumulation



Growth Accumulation

PERFORMANCE REVIEW

Global equity markets finished 2023 on a strong note and the rally continued during 1Q24. Market participants are increasingly encouraged about the U.S. economy. GDP increased a robust 3.4% annualized in 4Q23 and many recent economic indicators have exceeded expectations, including employment data, consumer sentiment, and manufacturing survey data. As a result, the Citigroup Economic Surprise Index remains firmly in positive territory. The strength in economic activity translated into better-than-anticipated corporate earnings and has led to rising expectations for company earnings growth in 2024. Additionally, the recession fears that dominated the financial headlines a year ago have largely vanished amid the strength of the U.S. economy.

Conversely, the economic strength did not translate to gains for bond market investors last quarter as fixed income markets experienced modest declines in response to rising interest rates. Bond prices and bond yields have an inverse relationship. Interest rates rose in response to some hotter-than-anticipated U.S. inflation data in Q1 and the aforementioned strength in economic activity raising the risk that inflation may remain elevated for longer than expected. Of note, bond markets are now expecting half the number of interest rate cuts from the Federal Reserve in 2024 compared to the beginning of the year; said simply, bond markets are now expecting interest rates to remain higher for longer.

The Liberty Accumulation portfolios generated strong gains in the first quarter, although results modestly lagged the broader equity market indices. The following were key contributors to and detractors from performance, on a relative basis, during the quarter.

CONTRIBUTORS

- Within the **Core Equity** allocation, the Vanguard Growth Index Fund posted strong returns and was the top performing fund in the portfolio. Growth stocks continued their rally in Q1, fueled by optimism surrounding Artificial Intelligence and positive operating trends in the Technology sector.
- Within the ***Core Equity*** allocation both of our Large Cap Value funds, Schwab US Dividend Equity ETF and Vanguard Value Index Fund were strong relative performers. Top performing sectors included Energy, which benefited from higher oil prices, and Industrials, as the solid U.S. economy and the trend of onshoring of manufacturing were tailwinds for the group.
- Within the ***Satellite*** allocation, Boston Partners All Cap Value Fund was a strong outperformer. The fund allocates to value stocks across the market cap spectrum.

DETRACTORS

- In the ***Core Equity*** allocation, Emerging Markets were up modestly this past quarter but returns lagged Developed International and U.S. markets. China has weighed on the group's performance over the past several quarters and this continued into 1Q24.
- Bond markets declined modestly during the quarter in response to rising interest rates, but the **Core Fixed Income** declined less than the broader fixed income markets.
- In the ***Satellite*** allocation, ARK Innovation reported a negative return this past quarter and was the leading detractor in the portfolio. The fund primarily invests in disruptive technology and health care companies. Periodically this collection of companies may deviate from the trends in the broader markets. GMO Resources also declined in 1Q24 despite positive returns in the energy complex. The fund has an allocation to clean energy stocks and this group is more sensitive to rising interest rates. Also, oversupply conditions weighed on the solar industry this past quarter.

ABOUT THE ACCUMULATION SERIES

Liberty Portfolios™ are comprehensive investment strategies designed to meet the important needs of investors across the key phases of financial planning. These portfolios are constructed through a **core** and **satellite** approach that provides enhanced diversification through the integration of multiple investment methodologies. The Accumulation Series is designed for investors seeking to grow and compound their investable assets over the long term and who have minimal need for current income.